

Chapter 85 – Accounting Procedures

85.30 Disbursements

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Disbursements

85.30.10 Introduction

Accounting for expenditures is a critical activity in governmental organizations. Governmental entities have unique requirements relating to the expenditure cycle due to budgetary reporting needs, the various fund types, and statutory compliance requirements related to disbursing public monies. The recording of expenditure-related transactions must be carefully monitored and controlled to meet these requirements

85.30.20 Payment of Invoices

85.30.20a Standards - In accordance with Title 5 §1553 subsections:

- (1) The required payment date for any proper invoice for which a state agency has incurred an obligation to a business concern shall be no more than 25 working days from the date the state agency receives a proper invoice or from the date of receipt of the property, products or services, whichever is later, unless the agency and the business concern have agreed to another payment date.
- (2) In the event the state agency receives an improper invoice, the agency shall immediately notify the business concern in writing. This written notice shall reasonably describe why the invoice is deemed to be improper. Disputes shall be handled under section 1510-A.
- (3) In the event that an improper invoice is received by a state agency, it shall be returned within 15 days of receipt to the business concern for correction. Upon receiving a corrected invoice, payment shall be made in accordance with subsection 1.
- (4) An expeditious procedure shall be developed for the submission of invoices received by a state agency to the controller. In the event that obligations of an agency are not paid through the controller, a procedure shall be developed by the commissioner to ensure prompt payment.
- (5) It shall be the responsibility of the state agency that incurs a late fee pursuant to this chapter to calculate the amount of the late fee and add that fee to the amount of the invoice prior to submission of the invoice to the controller.

85.30.20b **Payment of late fees** - In accordance with Title 5 §1554:

In the event that a proper invoice is not paid within 25 working days after receipt of the invoice, or within 15 days following another date agreed to by the state agency and the business concern, the agency shall be liable to pay a reasonable late fee that shall not exceed the normal late charge that the business concern levies on the amount due on the invoice.

In the event that federal moneys are the budgeted source of funds for payment to business concerns for state agency purchases of goods, property or services, and these moneys are unexpectedly withheld and delayed from reaching the State in time to pay proper invoices without incurring a late fee, the state agency which made the purchases and the State of Maine shall not be liable for any late fees on overdue payments.

85.30.20c **Period of time for which late fees are imposed** - In accordance with Title 5 §1555:

The late fee shall apply to the period beginning on the day after the required payment date and ending on the date on which payment of the amount due on the invoice is made. An amount of a late fee which remains unpaid at the end of any 30-day period, after the required payment date, shall be added to the principal amount of the debt and, thereafter, late fees shall accrue on the added amount.

85.30.20d **Source of payment for late fees** - In accordance with Title 5 §1556:

Any late fee authorized by this chapter to be applied to a proper invoice shall be paid from funds made available for the administration or operation of the program or state agency for which the obligation was incurred.

85.30.20e **Late fees and improper invoices** - In accordance with Title 5 §1557:

With respect to an improper invoice, the late fee shall apply to the period beginning on the day after the required payment date is due as specified on the corrected and proper invoice and ending on the date on which payment of the amount due on the invoice is made.

85.30.30 Role of the Department

Each department is responsible for preparing the required payment documents. The PRC and GAX are the transactions in the expenditure process to pay for goods/services which will book the expenditure and establish a payable in the accounting system.

The payment initiation begins with the receipt of an invoice from the vendor. To begin the process, the invoice must be approved. If the invoice is not approved, then it will be discarded and the vendor will be notified.

- The following approvals are required:
 - Every PRC and GAX document is approved by the Initiator and Approver at the department level. To approve a document, access your Worklist.
 - If the total payment at the Header line exceeds \$5000, then OSC Accounting approval is also required.

The department verifies that cash and allotment are sufficient using the BQ90 screen. If funds are not sufficient, the invoice is held for more cash or allotment.

The department verifies that the vendor is entered in VCUST and is an active vendor.

If the funds are available, the department's user will check if an encumbrance is required (specifically, if a service was provided by the vendor). If an encumbrance is required, the user will search for the Purchase order and copy forward the BPO to a payment document (PRC). If an encumbrance is a General Accounting Encumbrance (GAE), the user will search for the encumbrance and copy forward the GAE to a payment document (GAX). If an encumbrance is not present, the user will enter a payment document (GAX) into Advantage.

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Role of the Office of the State Controller

The following documents are sent to the Office of the State Controller (OSC) for pre-audit:

- Bar Code Sheet
- Original Invoice
- Purchase Order
- Receipt Confirmations

Plus, the following documents if applicable

- Open Market Purchase Order Form
- Copy of the Agreement

The OSC Accounting checks all documents for accuracy and completeness. When the pre-audit is completed, the final approvals are made in the system. Once with inputs into Advantage have passed edits, checks are printed.

If the dollar amount to be paid is equal to or less than \$5000, the documents listed above are sent to records for scanning.

If the dollar amount to be paid is greater than \$5000, the documents are sent to the OSC Audit Department. All pending payment documents on Advantage are reviewed against the pre-audit checklist. If the document does not pass the checklist, the document is returned to the Department with a reject memo.

In the Advantage, once the payment document is in Final phase, it is set up for overnight batch run. With the batch run, the transactions are posted, ledgers are updated and checks are generated. All accepted payment documents are sent to records for scanning.

85.30.50 Documents

85.30.50a PRC – A Commodity-Based Payment Request

A PRC document records payment activity at the commodity level. It contains commodity detail and requires entry of a commodity code and other fields. The PRC is used to make commodity-based payments with one vendor. All PRC documents must reference another document.

The PRC document is used to liquidate an encumbrance. Use the copy forward functionality from an encumbrance (PO, BPO, CT, MA, DO) to create the PRC document.

For additional information please reference the Advantage training documents located on the Office of the State Controller’s web page

85.30.50b GAX – The General Accounting Expenditure document

A GAX document is used to make non-commodity-based payments and, therefore, does not require a reference to an award document. GAX documents are used to pay a single vendor. It is not required to reference an award document (PO, etc.).

The GAX document is created for items that do not require a purchase order, require a purchase order but are less than or equal to \$5000 where a contract was not already created or that are not paid using a procurement card.

Some of these items include:

- Utilities
- Postage
- Travel advance and reimbursement

For additional information please reference the Advantage training documents located on the Office of the State Controller's web page

85.30.50c

IET – The Internal Exchange Transaction

The IET document is used for expenditure for revenue transactions, which are comprised of payments for goods or services provided by one department or fund to another department or fund.

An RE is prepared by the Seller Department and billed earned revenue is posted immediately for the Seller based on entered Event Type Codes. The IET document is prepared by the Buyer Department: posting the cash expenditure for the Buyer, liquidating the billed earned revenue for the seller, and posting collected earned revenue for the seller.

For additional information please reference the Advantage training documents located on the Office of the State Controller's web page